William Blair

Private Wealth Management

2026

# Year-End Wealth Planning and Philanthropy Strategies



# As 2026 draws to a close, now is the time to review your financial strategy and position yourself for success in the year ahead.

Year-end planning remains one of the most effective ways to optimize wealth strategies, minimize taxes, and align your goals with changing legislation. This is the first year in which many provisions of the One Big Beautiful Bill Act (OBBBA) apply, including changes that affect estate planning, charitable giving, and income tax thresholds. While traditional strategies like annual gifting, Roth conversions, and retirement milestones remain essential, the new rules call for a fresh look at how and when you give, how you manage state and local taxes, and how you hold and sell business interests. By acting before December 31, you can take advantage of current rules and prepare for what's next.

The OBBBA, signed into law last year, permanently extends key provisions of the Tax Cuts and Jobs Act of 2017 and introduces new measures aimed at easing the fiscal burden on individuals and estates. Many of these measures took effect on January 1, 2026, so this year-end review is the first to reflect them in full.

# Overview

The table below summarizes key federal tax figures for 2026, including the OBBBA provisions that took effect this year.

## Key Tax Figures and Rules for 2026

| Provision | 2026 |
|---|---|
| **Gift and estate tax exemption** | $15 million per person ($30 million per married couple); top rate of 40%. Made permanent by the OBBBA and indexed for inflation beginning in 2027. The generation-skipping transfer tax exemption is the same amount. |
| **Annual gift exclusion** | $19,000 per recipient ($38,000 for married couples who split gifts) |
| **Income tax rates** | Seven brackets, from 10% to 37%, made permanent by the OBBBA. The 37% rate applies to taxable income over $640,600 for individuals and $768,700 for married couples. |
| **Standard deduction** | $32,200 per married couple ($16,100 for individuals). The higher amount was made permanent by the OBBBA and is indexed for inflation. |
| **Itemized deduction limitation** | New in 2026: for taxpayers in the 37% bracket, itemized deductions (including charitable gifts) reduce tax by no more than 35 cents per dollar. |
| **Charitable deductions** | New in 2026: itemizers can deduct gifts only to the extent they exceed 0.5% of adjusted gross income (with $1 million of AGI, the first $5,000 is not deductible). Taxpayers who take the standard deduction can deduct up to $1,000 ($2,000 for married couples) of cash gifts to public charities; gifts to donor-advised funds and private foundations do not qualify. |
| **State and local tax (SALT) deduction** | $40,400 cap, reduced by 30% of modified adjusted gross income above $505,000, but not below $10,000. The cap rises 1% a year through 2029 and returns to $10,000 in 2030. |
| **Qualified charitable distribution (QCD) limit** | $111,000 per IRA owner age 70½ or older |
| **12.4% Social Security tax** | On wages up to $184,500 |
| **IRA/Roth IRA contribution limits** | $7,500 per person, plus $1,100 for those age 50 or older |
| **401(k), 403(b), and 457 contribution limits** | $24,500, plus $8,000 for those age 50 or older ($11,250 for ages 60 to 63). Catch-up contributions must be made as Roth if prior-year wages from the employer exceeded $150,000. |
| **Qualified small business stock (QSBS)** | For stock acquired after July 4, 2025: gain exclusion of the greater of $15 million or 10 times basis (indexed beginning in 2027); companies with up to $75 million in gross assets qualify; 50% of gain excluded after three years, 75% after four, and 100% after five. |
| **Senior deduction** | $6,000 per person age 65 and older for 2025 through 2028. Phases out above $150,000 of income for married couples ($75,000 single) and is fully phased out at $250,000 ($175,000 single). |
| **Trump Accounts** | Tax-favored accounts for children under 18; contributions began July 4, 2026. Up to $5,000 per child per year from all sources combined, including up to $2,500 from an employer (both indexed after 2027). Children born from 2025 through 2028 may receive a one-time $1,000 federal contribution. |

# Planning Strategies

## 1. Put the Higher Lifetime Gift and Estate Tax Exemption to Work

The lifetime gift and estate tax exemption has reached a new high of $15 million per person in 2026, allowing individuals to transfer up to this amount during their lifetime or at death without incurring federal gift or estate taxes. For married couples, the combined exemption is $30 million, offering a significant opportunity to pass wealth to heirs tax-free. This exemption is part of the unified credit, meaning any portion used for lifetime gifts reduces the amount available to offset estate taxes at death. Amounts exceeding the lifetime exemption are subject to a federal estate or gift tax of 40%.

Before the OBBBA, this elevated exemption was set to expire at the end of 2025 under the Tax Cuts and Jobs Act (TCJA), reverting to approximately $5 million (adjusted for inflation). However, the OBBBA permanently increased the exemption to $15 million per individual (or $30 million per couple) starting in 2026, with annual inflation adjustments beginning in 2027.

The permanent increase removed the deadline that drove large gifts in 2024 and 2025, but lifetime gifting remains one of the most effective ways to shift future appreciation out of your taxable estate. If you used most of or all your exemption before 2026, the increase gives you about $1 million of new exemption (about $2 million for a married couple) that you can use now.

The U.S. federal transfer tax system includes three key components that affect how wealth is passed on:

- **Gift Tax:** Applies to transfers of property made during your lifetime
- **Estate Tax:** Applies to the transfer of assets upon death
- **Generation-Skipping Transfer Tax (GSTT):** Applies to gifts or bequests made to individuals who are two or more generations below the donor, such as grandchildren

**Trust-Based Strategies for Legacy Planning**

Trusts remain a cornerstone of effective estate planning, offering control, protection, and long-term tax advantages.

**Irrevocable Trusts**

An irrevocable trust allows you to transfer assets out of your taxable estate while retaining control over how and when beneficiaries receive them. You can customize distribution terms based on age, life milestones, or specific purposes, such as education, housing, or healthcare. Once assets are placed in the trust, they are generally protected from estate taxes, creditors, and legal claims. These trusts also offer privacy, as they bypass probate and are not part of the public record.

**Dynasty Trusts**

A dynasty trust is designed to preserve family wealth across multiple generations. By applying your generation-skipping transfer (GST) tax exemption, now $15 million per person, you can fund a trust that avoids estate and GST taxes for decades. This strategy is especially effective when structured to last beyond the lifetime of your children and grandchildren, allowing assets to grow and be distributed without repeated estate taxation. Dynasty trusts also provide strong asset protection and can be tailored to support long-term family values and financial stewardship.

**Spousal Lifetime Access Trusts (SLATs)**

SLATs are a popular strategy among married couples who want to reduce their taxable estates while maintaining some access to trust assets. With a SLAT, one spouse creates an irrevocable trust for the benefit of the other, using their lifetime exemption to fund it. The beneficiary spouse can receive distributions, which indirectly benefits the donor spouse. This approach allows couples to remove significant assets from their estates while preserving financial flexibility.

One of the key advantages of a SLAT is that it offers access to funds without compromising the estate planning benefits so long as the beneficiary spouse remains alive and eligible to receive distributions. This makes SLATs a popular alternative to more rigid structures, such as dynasty trusts, which remove assets from the donor's reach entirely. Both spouses can create a SLAT for the other spouse and use their respective exemptions.

## 2. Revisit Wealth Transfer Strategies as Interest Rates Rise

The Section 7520 rate, which the IRS uses to value trust interests, has risen during 2026, from 4.6% in January to 5.6% in October. A higher-interest-rate environment may make techniques like establishing charitable remainder annuity trusts (CRATs) and qualified personal residence trusts (QPRTs) more attractive for transferring wealth efficiently.

**Charitable Remainder Annuity Trusts (CRATs)**

A charitable remainder annuity trust is an irrevocable trust that pays a fixed annual income to the grantor or other beneficiaries for life or a set term, with the remaining assets going to a designated charity at the end. The CRAT is best funded with appreciated securities, as the trust can sell them without triggering immediate capital gains tax, preserving more value for income and charity. The IRS uses a Section 7520 interest rate (which is tied to prevailing interest rates) to calculate the remainder value for the grantor's income tax deduction. You can claim an immediate tax deduction based on the current value of what will eventually go to charity (known as the remainder value). A higher rate will increase the remainder value and therefore also increase your income tax deduction.

**Qualified Personal Residence Trust (QPRT)**

Qualified personal residence trusts are also more effective in a high-interest-rate environment. With a QPRT, you can transfer your personal residence (or vacation home) to heirs at a significantly reduced gift and estate tax cost by placing the property in an irrevocable trust while retaining the right to live in it for a specified time. After the term ends, ownership passes to the beneficiaries, and the taxable gift is discounted because you retain occupancy rights during the trust term. The IRS uses the Section 7520 rate to calculate the present value of the remainder interest that will pass to beneficiaries. A QPRT reduces gift tax because your retained right to live in the home during the trust term increases the value of your interest, which lowers the taxable value of the remainder gift to heirs. Keep in mind that you must outlive the trust term for the home to be removed from your estate.



### 3. Rethink Charitable Giving Under the New Rules

Charitable giving continues to play a meaningful role in year-end tax planning, with donors exploring ways to align their philanthropic goals with tax-efficient strategies. Beginning in 2026, three OBBBA changes affect how much tax benefit your gifts produce. Itemizers can deduct charitable gifts only to the extent they exceed 0.5% of adjusted gross income (AGI). Taxpayers in the 37% bracket receive a tax benefit of no more than 35 cents per dollar of itemized deductions. And those who take the standard deduction can now deduct up to $1,000 ($2,000 for married couples) of cash gifts to public charities. Traditional methods such as cash donations, appreciated asset gifts, and IRA-based giving remain effective tools. At the same time, donor-advised funds and qualified charitable distributions are popular for their flexibility and potential tax benefits. As we approach the end of the year, understanding the current rules and opportunities can help individuals make the most of their charitable contributions.

**Bunch Gifts to Clear the New Floor**

Because the 0.5% floor applies every year, concentrating several years of giving into a single year means you lose that portion of your deduction once instead of each year. Bunching can also help you exceed the standard deduction, which the OBBBA made permanent at a higher level ($32,200 for married couples in 2026). A donor-advised fund is a natural vehicle: you can make one larger contribution in a high-income year and recommend grants to charities over the following years.

For cash contributions to public charities, donors may continue to take deductions up to 60% of their adjusted gross income; however, the new 0.5% floor on charitable giving means that charitable donations are only deductible to the extent they exceed 0.5% of AGI. With the standard deduction remaining elevated and now adjusting annually for inflation, taxpayers may consider strategic timing of charitable contributions.

**Donating Appreciated Securities to Charity**

By contributing appreciated securities directly to a qualified public charity, you can maximize the impact of your gift while benefiting from a dual tax advantage. For long-term appreciated securities (held greater than one year), you will receive a deduction based on the full fair market value and avoid paying capital gains tax on the appreciation, making it a highly efficient way to give. This approach is even more valuable under the new rules: the floor and the 35% cap can reduce the deduction, but they do not affect the capital gains tax you avoid.

**Qualified Charitable Distributions (QCDs)**

If you're aged 70½ or older and have a traditional IRA, you can make a meaningful and tax-efficient impact through a qualified charitable distribution (QCD). This strategy allows you to donate directly from your IRA to a qualified public charity, and the amount (up to $111,000 per year in 2026, adjusted for inflation) is excluded from your taxable income. If you are married and both spouses have their own IRA, each of you can contribute up to the maximum amount annually.

QCDs can also count toward your required minimum distribution (RMD), even if your RMD for the year is less than the amount you choose to donate. While recent legislation has raised the RMD age to 73 or 75, depending on your birth year, the eligibility age for QCDs remains 70½. It is important to note that you cannot also claim a charitable deduction for a QCD, but the income exclusion often results in greater tax savings than a tax deduction, particularly for those who take the standard deduction and do not itemize. The QCD rules themselves have not changed, but starting in 2026 QCDs compare more favorably for itemizers. Because a QCD is excluded from income rather than deducted, it avoids the new 0.5% floor and 35% cap that now reduce the value of a regular charitable deduction.

QCDs from IRAs cannot be directed to donor-advised funds, private foundations, or supporting organizations. They must go directly to a qualified public charity to be eligible for the income exclusion. Separately, you may make a one-time QCD of up to $55,000 in 2026 to fund a charitable remainder trust or charitable gift annuity.

**Donor Advised Funds (DAFs)**
Instead of donating directly to individual charities or establishing a private foundation, donors can contribute cash, securities, or other assets to a DAF, receive an immediate tax deduction, and recommend grants to qualified charities over time. This "donate now, decide later" approach offers flexibility in both timing and impact, making it especially useful for donors looking to consolidate giving or manage tax planning. DAFs are valued for their simplicity, centralized recordkeeping, and digital convenience. Most platforms allow donors to manage contributions and grant recommendations online, while the sponsoring organization handles all administrative tasks. Note that contributions to a DAF do not qualify for the new deduction available to those who take the standard deduction.



### 4. Manage the State and Local Tax (SALT) Deduction Cap

The OBBBA raised the cap on the federal deduction for state and local taxes from $10,000 to $40,000 in 2025 and $40,400 in 2026. The cap increases by 1% a year through 2029 and returns to $10,000 in 2030. The higher cap phases down by 30% of modified adjusted gross income (MAGI) above $505,000 in 2026, but it cannot fall below $10,000. In practice, the added benefit disappears once MAGI reaches about $606,000.

Year-end steps to consider:

- **Watch the phase-down range.** If your income is near $505,000, timing matters. Deferring a bonus, harvesting losses, or moving a Roth conversion to another year may keep MAGI below the threshold. Within the phase-down range, each additional dollar of income also reduces your SALT deduction, which raises your effective marginal tax rate.
- **Review pass-through entity tax (PTET) elections.** If you own an interest in a partnership or S corporation, ask your accountant whether your state's PTET election makes sense. The OBBBA left these workarounds in place, allowing the business to deduct state income taxes at the entity level, outside the individual cap.
- **Revisit itemizing.** With a higher cap, some households whose state and local taxes, mortgage interest, and charitable gifts previously fell below the standard deduction may now benefit from itemizing.
- **Factor in the 35% limitation.** For taxpayers in the top bracket, the cap on the value of itemized deductions also applies to the SALT deduction.

### 5. Review Qualified Small Business Stock (QSBS) Holdings

A federal tax break for qualified small business stock (QSBS) lets eligible investors exclude some of or all their gain from federal income tax when they sell QSBS stock. To qualify, the stock must be acquired directly from a U.S. C corporation (not purchased from another shareholder), and the company must actively run a business. Many service businesses, such as financial services, law, healthcare, and consulting, are excluded. The exclusion has long been valuable for founders, early employees, and investors in private companies, and the OBBBA made it more generous for stock acquired after July 4, 2025:

- **Shorter holding period.** You can exclude 50% of the gain after three years, 75% after four years, and 100% after five years. Previously, no exclusion was available until the stock had been held for more than five years.
- **Higher cap.** The gain you can exclude for each company's stock is now the greater of $15 million or 10 times your basis, up from $10 million. The $15 million amount will be indexed for inflation beginning in 2027.
- **More companies qualify.** A company's gross assets can be up to $75 million when the stock is issued, up from $50 million.

Stock acquired on or before July 4, 2025, remains subject to the prior rules. Year-end is a good time to inventory your holdings, confirm which rules apply to each, and gather documentation of the company's qualification. Because the cap applies per taxpayer, gifts of QSBS to family members or certain trusts may increase the total gain that can be excluded, so consider coordinating QSBS planning with your estate plan. One consideration is that a transfer may reset the holding period. State treatment varies, and some states, including California, do not follow the federal exclusion.

### 6. Maximize Annual Gifting

In 2026, you can give up to $19,000 per person (unchanged from 2025) without incurring any federal gift tax. If you are married, you and your spouse can combine your exclusions to gift up to $38,000 to each recipient. These gifts fall under the annual exclusion and do not reduce your lifetime exemption, which is set at $15 million per individual in 2026.

A popular strategy is to establish gift trusts for children or grandchildren, funded with annual exclusion gifts. This approach allows you to transfer assets while maintaining control over how they are used.

In addition to annual exclusion gifts, you can also pay for tuition or medical bills for individuals directly to the institutions gift-tax-free. There is no cap on such payments, and they do not count toward your annual exclusion limit, meaning you can still gift up to $19,000 to the same individual in the same year.



Another effective option is funding 529 education savings plans. These accounts grow tax-free when used for qualified education expenses. Unique to 529 plans, you may choose to front-load five years' worth of annual exclusion gifts into a 529 plan in a single year (up to $95,000 for individuals or $190,000 for married couples) using the IRS's 5-year election rule. This strategy allows for accelerated growth, but you cannot make additional annual exclusion gifts to the same beneficiary for the next four years. The OBBBA also broadened how 529 funds can be used, raising the annual limit for elementary and secondary school expenses from $10,000 to $20,000 beginning in 2026 and adding certain professional credential programs.

For children with earned income, contributing to a Roth IRA on their behalf is another powerful gifting strategy. In 2026, the contribution limit is $7,500 or the child's total earned income, whichever is less. These accounts are funded with after-tax dollars and offer tax-free growth and withdrawals in retirement, making them ideal for long-term savings.

**Trump Accounts**

Trump Accounts, a new tax-advantaged account created by the OBBBA for children under 18, opened for contributions on July 4, 2026. Parents, grandparents, employers, and others can contribute up to a combined $5,000 per child per year, and children born from 2025 through 2028 may also receive a one-time $1,000 contribution from the federal government, which does not count toward the $5,000 limit. During the growth period (prior to age 18), investments are limited to broad-based index mutual funds/ETFs primarily tracking U.S. equities (e.g., S&P 500).

Under IRS guidance issued in June 2026, individual cash contributions that fit within your $19,000 annual exclusion generally do not require a gift tax return. This relief does not apply, however, if you file a gift tax return for the year for other reasons. Because all contributors share the same $5,000 limit, coordinate with the child's parents before giving.

### 7. Assess Roth Conversion Opportunities

Year-end is a great time to revisit whether a Roth conversion makes sense. Converting pretax retirement assets to a Roth IRA can be a powerful strategy, especially in years when income is lower or markets have pulled back. Once converted, Roth assets grow income-tax-free and are not subject to RMDs during the original owner's lifetime.

Although there are no hard-and-fast rules for whether to convert a traditional IRA to a Roth IRA, a conversion usually creates the most value when you:

- Anticipate being in a higher or equivalent bracket during retirement
- Will not need to make withdrawals from the account in the short term
- Have funds available outside the IRA to pay for the conversion tax
- Plan to have a significant balance in the account to pass onto heirs

When sizing a conversion, consider more than the taxpayer's marginal income-tax bracket. The additional income may affect Medicare premiums, the taxation of Social Security benefits, the net investment income tax, capital gains rates, the SALT deduction, and other income-sensitive tax provisions.

### 8. Prepare for Key Retirement Milestones

Year-end is the perfect time to ensure you're prepared for key age-based milestones:

- **Age 50:** Begin making catch-up contributions, an extra amount that those 50 and over can add to 401(k) and other retirement accounts.
- **Age 55:** Early withdrawal penalty exception for distributions from certain employer-provided plans such as 401(k) for those who are age 55 and over and separate from service (does not apply to IRAs).
- **Age 59½:** You can begin penalty-free withdrawals from IRAs and 401(k)s. Consider whether it makes sense to start drawing down assets or continue growing them.
- **Ages 60 to 63:** If permitted by your employer's plan, you can make a larger "super catch-up" contribution to your workplace plan: $11,250 in 2026, instead of the $8,000 available to others age 50 and older.
- **Age 65:** Medicare eligibility generally begins. Evaluate your enrollment timing, particularly if you or your spouse is still working and covered by an employer health plan, and explore the supplemental coverage options available to you.
- **Age 70:** Social Security delayed retirement credits stop accruing. If you have not yet claimed your retirement benefit, begin benefits at age 70 to avoid losing monthly payments.
- **Age 70½:** You can begin making QCDs from IRAs, up to $111,000 in 2026. These donations count toward your RMDs and can reduce taxable income.
- **Age 73:** RMDs generally begin at age 73 for individuals born from 1951 through 1959 and at age 75 for those born in 1960 or later. Plan ahead to avoid penalties and manage the impact on your taxable income.

### 9. Review Withholdings and Estimated Tax Payments

A practical but often overlooked tip is to review your tax withholding and estimated payments. Whether you're a salaried employee, are self-employed, or have multiple income sources, ensuring the right amount is withheld throughout the year can help you avoid unexpected tax bills or penalties. This checkup is especially important if you've experienced changes in income, family status, or deductions, as these can significantly affect your tax liability.

For those with variable income, such as freelancers, consultants, or investors with large capital gains, this review becomes even more critical. Income fluctuations can make it easy to underpay taxes without realizing it. By proactively adjusting your withholding or making timely estimated payments, you can stay ahead of potential issues and maintain peace of mind. A quick check-in now can save you from costly surprises later.

The IRS requires taxpayers to pay taxes as income is earned. If you don't pay enough through withholding or estimated payments, you could face penalties. By adjusting your withholding, you can ensure enough tax is paid automatically, avoiding the need for quarterly estimated payments. If your prior year's adjusted gross income was more than $150,000 (whether single or married filing jointly), paying at least 110% of last year's tax through withholding and estimated payments generally avoids an underpayment penalty. And because withholding is generally treated as paid evenly throughout the year, increasing it before December 31 can help cover a shortfall from a late-year event such as a Roth conversion, bonus, or business sale.

### 10. Update Your Estate Plan

As the year winds down, this is a good time to review your estate plan and ensure it still reflects your goals, family dynamics, and financial picture. Major life events, such as marriage, divorce, births, and deaths, may necessitate changes to your estate plan. You also want to make sure it takes advantage of the permanently higher estate exemption amounts resulting from the OBBBA. Many estate plans include formula clauses that divide assets between a family trust and a marital share based on the exemption amount. With a $15 million exemption, those formulas may now direct more to one share than you intend, so they are worth reviewing with your attorney. Also consider state estate taxes; several states, including Illinois, have exemptions far below the federal level.

One of the most overlooked but critically important parts of your estate plan is your beneficiary designations. These apply to retirement accounts, like IRAs and 401(k)s, as well as life insurance policies, annuities, and any accounts with transfer-on-death (TOD) or payable-on-death (POD) instructions. It's essential to ensure they're accurate and up to date, since beneficiary designations override your will or trust, meaning the assets they apply to will pass directly to the named beneficiaries, regardless of what your estate plan says.



### 11. Coordinate With Your Advisors

A year-end review is more than a quick check-in; it is a strategic opportunity to align your financial, tax, and estate plans before deadlines. Schedule time with your William Blair wealth advisor, attorney, and accountant to confirm these critical actions:

- **Gifting:** Complete annual exclusion gifts to take advantage of the $19,000 per recipient limit.
- **Charitable Contributions:** Finalize annual donations to public charities, donor advised funds, and foundations. Implement bunching strategies to clear the new 0.5% floor and consider QCDs if you are 70½ or older.
- **Tax Elections:** Review estimated payments, withholding, SALT and PTET planning, and any Roth conversions to avoid surprises.
- **Business Interests:** Review QSBS holdings and holding periods with your accountant.
- **Estate Plan Updates:** Verify that beneficiary designations and trust provisions reflect your current intentions.

### Conclusion

Thoughtful planning now can help you take advantage of current opportunities and prepare for what lies ahead. With many OBBBA provisions now in effect, 2026 has brought meaningful changes that affect estate planning, charitable strategies, and income tax thresholds. Acting before year-end can help you capture available benefits and position your wealth plan for a strong start in 2027. Work with your advisors to implement these strategies and stay ahead of upcoming changes.

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